Exhibit 33-3

State of California ex rel. Ven-A-Care of the Florida Keys, Inc. v. Abbott Labs, Inc. et al., Civil Action No. 03-11226-PBS

Exhibit to the November 25, 2009 Declaration of Philip D. Robben in Support of Defendants' Joint Motion for Partial Summary Judgment

Table 5.2 Average Margins on Medi-Cal Prescriptions

Drug Category	Average Cost[1]	Average Payment[2]	Average Margin	Percent Margin
Single Source – Not Paid with Direct Price	$120.36	$133.14	$12.78	9.6%
Single Source – Paid with Direct Price	$90.92	$92.66	$1.74	1.9%
Multi-Source Drugs – Not Paid with Direct Price (no FUL or MAIC)	$28.87	$38.34	$9.47	24.7%
Multi-Source Drugs – Paid with Direct Price (no FUL or MAIC)	$51.59	$51.44	($0.15)	(0.3%)
Multi-Source Drugs with a Federal Upper Limit (FUL)	$10.46	$11.73	$1.27	10.9%
Multi-Source Drugs with a MAIC	$9.79	$11.07	$1.28	11.6%
All Drug Product Categories	**$53.88**	**$60.55**	**$6.67**	**11.0%**

[1] "Average Cost" refers to the average cost incurred by the pharmacy to acquire and dispense medication. Average cost is based on the results of the pharmacy dispensing and acquisition cost surveys.

[2] "Average Payment" refers to Medi-Cal payment (dispensing fee and ingredient allowance) to the pharmacy inclusive of any applicable co-payments.

The results shown in Table 5.2 are based upon the costs and dispensing patterns of an "average" pharmacy. As one would expect, the level of profitability on Medi-Cal pharmacy reimbursement tends to vary among pharmacies. This variability is largely based on differences in dispensing cost rather than differences in the ability to acquire discounts on the purchase of pharmaceutical ingredients. Based on the results of the dispensing and acquisition cost survey, we estimate that Medi-Cal pharmacy reimbursement fully covers the dispensing and acquisition cost of the significant majority (approximately 97%) of Medi-Cal participating pharmacies.

In contrast to Medi-Cal pharmacy reimbursement rates, the payments that most pharmacies accept from other third parties offer much lower margins – typically in the range of 2% to 5%. Margins on cash paying customers are higher than those realized from Medi-Cal payment rates and typically can range upwards to approximately 20%.

Conclusions

Myers and Stauffer considered many factors to evaluate the overall adequacy of Medi-Cal pharmacy reimbursement rates. This included an analysis of pharmacy dispensing and acquisition cost compared to the current Medi-Cal pharmacy reimbursement rate formula. Additionally, Myers and Stauffer evaluated market

rates for prescriptions filled for other third party payers and examined issues related to the accessibility of pharmaceutical services to Medi-Cal recipients.

We concluded that the current Medi-Cal pharmacy reimbursement rates are, in the aggregate, sufficient to cover the dispensing and acquisition costs of the vast majority of pharmacies. Medi-Cal pharmacy reimbursement rates are typically higher than those of other third party payers (such as commercial insurance plans) and we did not identify any systemic problems related to the accessibility of pharmaceutical services to Medi-Cal recipients. Participation in the Medi-Cal pharmacy program is almost universal among California pharmacies, and pharmacies are geographically located such that accessibility for Medi-Cal recipients is not curtailed.

Appendix A. Development of the Dispensing Cost Survey Methodology

The methodology used for conducting the survey of pharmacy dispensing costs is presented in Chapter 3 of the report. The following tables provide background information regarding the development of the methodology and references to other surveys and publications which provide discussion regarding the calculation of pharmacy dispensing cost and related matters.

Table A.1 Academic References to Pharmacy Dispensing Cost Studies

Gagnon, Jean Paul, "Prescription Department Cost Analysis." Pharmacy Management 151 (Sept. – Oct., 1979): 235-40.
Carroll, N.V. "Costs of Dispensing Private-Pay and Third-Party Prescriptions in Independent Pharmacies." Journal of Research in Pharmaceutical Economics 1991;3(2):3-16
Carroll, N.V. "Forecasting the Impact of Participation in Third-Party Prescription Programs on Pharmacy Profits." Journal of Research in Pharmaceutical Economics 1991;3(3):3-23
Huey, Cheryl; Jackson, Richard; Pirl, Margaret, "An Analysis of the Impact of Third-Party Prescription Programs on Community Pharmacy." Journal of Research in Pharmaceutical Economics 1995;6(2):57-72
Schommer, Jon et. al., "1999 Minnesota Pharmacist Compensation and Labor Survey: Part 1, Pharmacists' Hourly Wages and Benefits." University of Minnesota College of Pharmacy, 1999.
Wen, Lonnie k. et. al., "A Survey of Operational Costs Incurred by Home Infusion Pharmacies." Infusion, May 1997 pp. 44-51.

Table A.2 Cost Allocation Methodologies Commonly Used in Health Care Settings

Type of Cost	Statistical Basis Used for Pharmacy Survey	Statistical Basis Used in Medicare Cost Reporting
Capital Related (e.g. depreciation, rent, repairs, real estate taxes)	Square Footage	Square Footage
Utilities	Square Footage	Square Footage
Interest, Insurance, telephone, supplies, accounting and legal fees	Revenue	Revenue, Accumulated Costs
Labor	Hours Worked	Hours Worked

Table A.3 Pharmacy Dispensing Cost Surveys Using Similar Cost Allocation Methodologies

Report Date	Title of Published Report	Organization / Individuals Performing Survey	Survey Sponsor
May 1990	An Assessment of Chain Pharmacies' Cost of Dispensing a Third Party Prescription	Pharmaceutical Economics Research Center; School of Pharmacy and Pharmaceutical Sciences; Purdue University; Kenneth W. Schafermeyer; Stephen W. Schondelmeyer; Joseph Thomas III	National Association of Chain Drug Stores
March 1991	Reimbursement for Pharmaceutical Services in Missouri	University of Missouri – Kansas City School of Pharmacy - Ashok K. Gumbir, Ph. D.; Johnny L. Anderson, Ph. D. (candidate)	Missouri Department of Social Services – Division of Medical Care
June 1994	Pharmacy Reimbursement Rates: Their Adequacy and Impact on Medicaid Beneficiaries	E. Kathleen Adams, Ph. D.; Norma Gavin; SysteMetrics; David H. Kreling, Ph. D.	Health Care Finance Administration

(Additionally, Myers and Stauffer has performed approximately 40 studies of pharmacy dispensing cost in approximately 17 states.)

Appendix B. Components of Pharmacy Dispensing Cost

Information on prescription dispensing cost was collected on the cost survey in individual expense categories. We analyzed the various components of the average dispensing cost for the pharmacies in the sample. Table B.1 and Charts B.1 and B.2 display the various cost components of the mean costs for pharmacies in the sample. Mean costs shown are weighted by Medi-Cal prescription volume.

Expenses were classified as follows:

- Owner professional labor – owner's labor costs were subject to constraints in recognition of its special circumstances as previously noted.
- Employee professional labor consists of employee pharmacists.
- Other labor includes the cost of delivery persons, interns, technicians, clerks and any other employee with time spent performing the prescription function of the pharmacy.
- Building and equipment expense includes depreciation, rent, ownership costs, repairs, utilities and any other expenses related to building and equipment.
- Prescription-specific expense includes pharmacist-related dues and subscriptions, prescription containers and labels, prescription-specific computer expenses, continuing education, and any other expenses that are unique to the prescription dispensing business.
- Other business expenses consist of all other expenses that were allocated to the prescription dispensing function of the pharmacy including interest, insurance, telephone, and legal and professional fees.

Table B.1 Components of Prescription Dispensing Cost[1]

Type of Expense	Chain Pharmacies	Independent Pharmacies
Owner Professional Labor	$0.00	$2.07
Employee Professional and Other Labor	$5.73	$2.92
Building and Equipment	$0.38	$0.54
Prescription Specific Expenses	$0.46	$0.60
Other Business Expenses	$0.97	$0.88
Total	$7.54	$7.01

[1] Excludes pharmacies which dispensed significant volumes of intravenous, home infusion or compounded prescriptions.

Clearly, the single largest component of cost is labor with both independents and chain pharmacies spending between 70% and 80% of their overall prescription costs on labor related costs. Chain pharmacies tend to have a larger portion of their labor costs devoted to professional labor compared to independents which tended to have higher "other" labor (which is partially explained by labor costs for delivery services). Otherwise, the distributions of costs between chain and independent pharmacies were similar.

Chart B.1 Components of Cost per Prescription for Chain Pharmacies

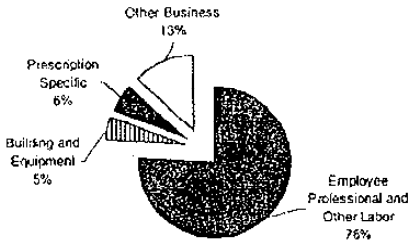
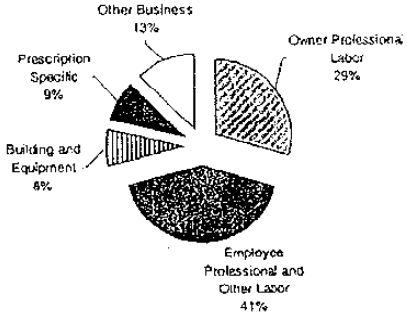


Chart B.2 Components of Cost per Prescription for Independent Pharmacies



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Appendix C. Summary of Pharmacy Attributes

A number of pharmacy attributes were collected on the cost survey. Many of these attributes were used during the review of the cost survey, and also allowed for an analysis of the variations in cost. In the following table, many of these attributes are summarized for informational purposes without any discussion as to their relationship to dispensing cost.

Table C.1 Summary of Pharmacy Attributes

Attribute	Number of Pharmacies Responding Affirmatively	Average for Pharmacies Responding Affirmatively
Provision of Delivery Services	312	31% of prescriptions
Provision of Delivery Services for Medi-Cal Recipients	300	37% of Medi-Cal prescriptions
Provision of Unit Dose Services	132	24% (approximately 96% of unit dose prescriptions were reported to haven been prepared in the pharmacy; 4% were purchased already prepared from a manufacturer)
Provision of Compounding Services	234	8% of prescriptions (36 pharmacies reported compounding for 10% or more of prescriptions dispensed – for these 36 pharmacies, the average was 47%). Many pharmacies reported a nominal amount of compounding by reported "1%" or "less than 1%".
Provision of Sterile Compounding Services	35	42% of prescriptions
Provision of Prescriptions to Nursing Homes	71	23% of prescriptions
Provision of Prescriptions to Board and Care Facilities	185	12% of prescriptions
Provision of I.V. / Home Infusion Services	43	43% of prescription sales (34 pharmacies had IV sales greater than 5% of prescription sales – for these 34 pharmacies, the average was 53%)
Provision of 24 Hour Emergency Services	133	N/A
Hours Open Per Week	718	58 hours

Attribute	Number of Pharmacies Responding Affirmatively	Average for Pharmacies Responding Affirmatively
Years Open at Current Location	586	17 years
Allows sales on credit	253	N/A
Percent of Prescriptions to Third Party Payers	647	84 %
Average Point of Sale (POS) Transaction Fees	294 pharmacies provided usable breakdown of POS fees	Calculated estimate of POS fees per third-party prescription dispensed: $0.14

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Appendix D: Dispensing Cost Issues for Institutional, Intravenous, Home Infusion and Compounding Pharmacies

Based on previous experience performing dispensing cost studies, Myers and Stauffer has become aware of specific concerns relating to the dispensing costs of certain pharmacy specialties. Paramount among the concerns expressed are the dispensing costs of pharmacies that dispense prescriptions to residents of long-term care facilities, pharmacies that dispense intravenous or home infusion prescriptions, and pharmacies that provide specialty prescription compounding services. This appendix includes a discussion of issues specific to these pharmacy types.

Institutional Pharmacies

The survey data supported the conclusion that there was not a statistically significant difference in dispensing cost for pharmacies that primarily serviced long-term care facilities versus pharmacies with a more traditional retail structure. It was noteworthy that these institutional pharmacies are operated in a distinctly different manner than a traditional retail pharmacy. One primary consideration is that these pharmacies tended to be very high volume pharmacies. As noted previously in the report, pharmacies with a high prescription volume tend to be more efficient with lower dispensing costs per prescription.

Institutional pharmacies typically provide services not offered in many retail pharmacies. This includes a heavier reliance on delivery services and unit dose dispensing systems. While there may be higher labor and overhead costs associated with the prescription delivery and packaging of unit dose prescriptions, there are also efficiencies associated with the "assembly line" production style of the pharmacy. In contrast, traditional retail pharmacies dispense prescriptions "one at a time" as customers come to the store or as physician calls are received. The greater control over the queuing of prescription requests in an institutional pharmacy creates a significant advantage in terms of scheduling the optimal amount of labor required to perform prescription dispensing functions.

It is also noteworthy that institutional pharmacies often provide other services to nursing homes beyond the typical prescription dispensing services offered in a retail pharmacy. This includes the services of a consultant pharmacist in the long-term care facility as well as medication carts, emergency medication kits and various expanded inventory control procedures. It is also significant to note that these additional services are provided as the result of a direct contractual relationship between the institutional pharmacy and the long-term care facility.

Remuneration to the pharmacies for these services is subject to the provisions of those contractual relationships. Consequently, any cost for these pharmaceutical consulting services would be reported to Medi-Cal via the *nursing facility cost report*. It would therefore be inappropriate to include these consulting services in a survey of the cost of *dispensing* prescription medications. To the extent that such costs could be explicitly identified, the costs associated with consultant pharmacists were not included in the analysis of dispensing cost.

Intravenous and Home Infusion Pharmacies

A small number of pharmacies that responded to the dispensing cost survey indicated that a significant portion of their business consisted of filling intravenous or home infusion prescriptions. In every dispensing cost survey performed by Myers and Stauffer in which data on the provision of intravenous services was collected, the provision of this service has been associated with higher dispensing costs.

There is some difficulty, however, in determining an average dispensing cost for this type of activity with any degree of stability. Reasons for this include the following:

- There is a significant inconsistency in the way in which pharmacies count the number of intravenous prescriptions dispensing. A pharmacy may mix and deliver many "dispensings" of a daily intravenous solution from a single prescription, thus incurring additional costs spread over a smaller number of prescriptions. Alternatively, some pharmacies count each daily dispensing individually.
- Many pharmacies that dispense intravenous prescriptions also dispense traditional prescriptions. The task of segregating intravenous and traditional dispensing costs is made difficult by the combined approach to financial and prescription record keeping which make it difficult to isolate costs associated with the dispensing of intravenous prescriptions.
- Based on a review of the literature, there is also considerable variability in the labor and equipment cost inputs into various types of intravenous prescriptions.

Because of these factors, Myers and Stauffer has typically seen extreme variation in the dispensing cost calculated for pharmacies that provide intravenous prescription services. In the current survey, the dispensing cost in the 34 responding pharmacies that dispensed a significant amount of intravenous prescriptions ranged from $8.04 to $71.37. The average (mean) dispensing cost was $32.97, but it should be noted that this average is highly unstable (i.e. there was a very high standard deviation).

One of the reasons it is difficult to determine a stable average dispensing cost for pharmacies that provide intravenous prescriptions is the low number of pharmacies for which data is collected in each survey. To better understand dispensing cost in these pharmacies, Myers and Stauffer performed an analysis

of the dispensing cost from data collected on over 100 surveys in recent years (inflation adjusted to calendar year 2002). Data for this analysis includes pharmacies in California, but was also supplemented by data from other states. Although each of these pharmacies had indicated on the survey forms that they dispensed intravenous prescriptions, most of these pharmacies also dispensed traditional prescriptions as well. After calculating a cost of dispensing for each pharmacy, statistical regression techniques were used in an attempt to isolate the costs associated strictly with the dispensing of intravenous prescriptions.

Although the analysis should not be considered comprehensive, the data suggests that dispensing costs ranging from $20 to $40 per intravenous prescription would be considered typical. In addition to variable states of efficiency in these pharmacies, it should be noted that there are various levels of complexity associated with dispensing intravenous prescriptions. A pharmacy's utilization mix of dispensing various types of intravenous prescriptions can have a significant effect on dispensing cost. It is therefore possible that some pharmacies could very well have dispensing costs in excess of $40 per prescription.

Under current policies, the California Department of Health Services reimburses for intravenous prescriptions in a dispensing fee plus ingredient reimbursement formula similar to traditional retail prescriptions (plus some additional compounding, container, and sterility fees). Although dispensing costs at intravenous pharmacies appears to be in excess of the current dispensing fee, this reimbursement methodology has been accepted by these pharmacies because the margin on ingredient reimbursement has allowed pharmacies to offset any shortfall from the dispensing fee. In the case of intravenous prescriptions, the typical ingredient reimbursement per prescription is much higher than for traditional retail prescriptions. The average Medi-Cal reimbursement per single source drug prescription on intravenous drugs is approximately $350.[24] Based on the results of the acquisition cost study performed simultaneously with the dispensing cost survey and the assumption of the Department's current ingredient reimbursement formula of AWP minus 5%, it is estimated that such an average prescription would yield a margin on ingredients of approximately $42. **This margin typically allows for adequate reimbursement of the pharmacy's dispensing cost. So long as the ingredient reimbursement rate remains at AWP minus 5% or any other relatively "high" level, the need for the Department to set a separate dispensing fee for intravenous drugs is somewhat mitigated by the margins realized on ingredient reimbursement.**

In recent years, some states have dealt with the issue of intravenous prescription reimbursement rates *in light of reduced ingredient reimbursement*. For example, the state of Utah recently adopted "revised AWPs" for certain products based on the recommendations of the United States Department of Justice and the

[24] Based on an analysis of California Medi-Cal drug utilization for calendar year 2000.

National Association of Medicaid Fraud Control Units (NAMFCU).[25] Products with these "revised AWPs" were primarily injectable, infusion, and inhalation drugs. Subsequent to the adoption of these prices, intravenous and home infusion pharmacies alleged that the margins on ingredient reimbursement were no longer sufficient such that they could accept the typical Medicaid dispensing fee. As a result of these allegations, the state of Utah created alternate dispensing fees primarily for home infusion pharmacies. The rates were set through a negotiated process and varied based on the perceived level of input costs required to fill the prescription. Table D.1 shows the various dispensing fee categories created by Utah Medicaid.

Table D.1 Utah Medicaid Home Infusion Drug Categories[26]

Dispensing Fee Category	Level of Service	Current Dispensing Fee
Category 'B' or 'C'	Traditional: technician input point-of-sale; pharmacist input; fixed overhead costs	$3.90 or $4.40
Category 'J'	Dispensing fee B or C plus: Labor II factor; clinical monitoring; prefilled syringes/PB; horizontal hood; technician input	$8.90
Category 'K'	Dispensing fee J plus: Clinical monitoring; quality assurance; labor factor	$18.90
Category 'L'	Dispensing fee K plus: Replacement into individual doses such as syringe; recalculations from vial to syringe to bag; large bulk inventory costs; peer review	$22.90
Category 'M'	Dispensing fee L plus: Double gloves; gown; vertical hood; labor factor V; OSHA documentation; special handling; special storage; clean room; hazardous waste	$33.90

The Utah Medicaid home infusion dispensing fee methodology has the advantage that dispensing fee reimbursement is more closely tied to actual

[25] "Medicaid's Use of Revised Average Wholesale Price." Department of Health and Human Services, Office of the Inspector General, OEI-03-01-00010, September 2001.
[26] Derived from Utah Medicaid State Plan Amendment documents and discussions with Utah Medicaid officials.

dispensing costs. It has the disadvantage that it necessitates increased complexity for the claims adjudication process. It is noteworthy to emphasize that the Utah rates were established based on a negotiated process rather than being based on a survey of actual costs and that the rates were created only because of significant cuts in ingredient reimbursement such that the margin on ingredients was reduced.

Compounding Pharmacies

A small number of pharmacies that responded to the dispensing cost survey indicated that a significant portion of their business consisted of filling compounded prescriptions. Survey data indicated that this practice was associated with statistically significant higher dispensing costs.

The observation that the practice of compounding prescriptions resulted in higher dispensing cost is not surprising given the special labor and equipment needs that are required in this type of pharmacy practice. Preparation time for individual compounded prescriptions, though highly variable depending upon the specific task, tend to be higher than the time associated with filling "traditional" prescriptions in pre-manufactured tablet, capsule, or liquid (etc.) forms. Additionally, the practice of pharmacy compounding does require some additional expensive equipment such as clean rooms for sterile preparation, sensitive scales, and other equipment for making special pharmaceutical dosage forms.

The practice of pharmaceutical compounding has proven to be somewhat controversial given the perception of a fine line between "compounding" and "manufacturing". The U.S. Food and Drug Administration has imposed some limits relating to the practice and advertising of compounding services.

Despite these restrictions, the practice of compounding is appealing to many pharmacists, not only because the practice is perceived to be a return to a historical form of pharmacy practice, but also because compounding is a niche business, which, if successful, can yield high margins. In part, these high margins are due to the promotion of compounding services primarily to cash customers, often in more affluent areas. In some aspects, pharmacy compounding appeals to those seeking "alternative" forms of medical treatments and provides traditional medications in non-traditional forms or in a form free of dyes or other perceived allergens.

Compounding pharmacies have made only minimal attempts to promote wide acceptance of third-party coverage for compounded pharmaceuticals. Primarily, this appears to be related to a desire to avoid reimbursement limitations that could be imposed by a broad acceptance of third party reimbursement plans and fee schedules based primarily on ingredient cost. Compounding pharmacists seem to prefer to maintain the relatively high margins and billing simplicity associated with cash-paying customers. Additionally, because of the potential for billing complexities associated with compounded prescriptions (which sometimes

cannot be captured with ease using typical pharmacy claim forms), pharmacies have experienced difficulty in establishing acceptable standards for transmitting suitable claims data that is compatible with the electronic claims processing standards used by most third party payers.

Due to the apparent variability in the cost associated with dispensing compounded prescriptions, a single dispensing fee for compounded prescriptions may be less ideal for matching reimbursement with actual costs incurred. The primary variable that determines dispensing cost incurred by a pharmacy is the amount of professional time required to prepare a particular compounded prescription. A more limited amount of cost variability can be attributed to the special equipment needs of certain preparations. To determine the precise mix of cost inputs into the various types of compounded prescriptions would require some type of time and motion study, the cost of which may be unjustified given the relatively small volume that would be associated with compounded prescription volume.

Given these limitations, a negotiated fee or set of fees is likely to be a preferable means of setting rates for compounding services. Such a fee could be linked to specific types of prescriptions or could be linked to professional time expended with reasonable upper limits. The inclusion of certain compounding services under prior authorization protocols to determine medical necessity may also be appropriate if modifications to dispensing fees for compounding services are considered.

Table of Exhibits

Agency Use Only

Exhibit 1

Medi-Cal Pharmacy Cost Report

Medi-Cal Provider No.

Return Completed Forms to:
Myers and Stauffer LC
420 Nichols Road
Kansas City, Missouri 64112

Myers and Stauffer LC
Certified Public Accountants

Under Contract with the California Department of Health Services

ROUND ALL AMOUNTS TO NEAREST DOLLAR OR WHOLE NUMBER
Please Complete and return by **November 30, 2001**
Instructions are enclosed. Please call toll free (800) 374-6858 if you are having difficulty completing this report.

Name of Pharmacy _____ Telephone No. (____) _____
Street Address _____ Fax No. (____) _____
City _____ County _____ State _____ Zip Code _____

DECLARATION BY OWNER AND PREPARER

I declare that I have examined this cost report including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, complete, and in agreement with the related Books or Federal Income Tax Return, except as explained in the Reconciliation. Declaration of preparer (other than owner) is based on all information of which preparer has any knowledge.

Your Signature	Print/Type Name	Title/Position	Date
Preparer's Signature (other than owner)		Title/Position	Date
Preparer's Street Address		City and State	Zip / Phone Number

SECTION IA – PHARMACY ATTRIBUTES

(a) **List the total number of all prescriptions dispensed during the fiscal year as follows:**

New _____ **Refill** _____ **Total** _____

(b) Type of Ownership
1. ☐ Individual 2. ☐ Corporation 3. ☐ Partnership 4. ☐ Other

(c) Location
1. ☐ Medical Office Building 2. ☐ Shopping Center
3. ☐ Separate or downtown 4. ☐ Other (specify) _____

(d) Ownership Affiliation
1. ☐ Independent (1-10 Units) 2. ☐ Chain (11 or more units nationally)
3. ☐ Institutional (provide service to long-term care facilities only)

(e) Do you or does a related party own your building?
1. ☐ Yes 2. ☐ No

Exhibit 1

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(f)	What is the approximate percent of your prescriptions dispensed to long-term care facilities?_____
(g)	What is the approximate percent of your prescriptions dispensed to board and care facilities?_____
(h)	Do you dispense in anything other than traditional packaging to long-term care facilities? If yes, indicate how: 1. ☐ Unit Dose 2. ☐ Modified Unit Dose (Bingo cards/blister packs) 3. ☐ Both 4. ☐ No Unit Dose What is the approximate percent of all prescriptions dispensed in unit dose packaging? _____%
(i)	If you checked box 1, 2, or 3 of (h), what percent of unit dose packaging is: 1. Purchased from manufacturers _____% 2. Prepared in the pharmacy _____%
(j)	What percent of total prescriptions filled are delivered? _____
(k)	What percent of Medi-Cal prescriptions filled are delivered? _____
(l)	Are you presently providing home IV or infusion therapies and/or enteral nutrition therapy? 1. ☐ Yes 2. ☐ No If yes, what is the dollar amount of your sales for those Rxs? $_____
(m)	What is the approximate percent of your prescriptions dispensed that are compounded? _____%
(n)	What is the approximate percent of your prescriptions dispensed that are compounded in a sterile environment? _____%
(o)	How many hours per week is your pharmacy open? _____ Hours
(p)	How many years has a pharmacy operated at this location? _____ Years
(q)	Do you provide 24-hour emergency services for pharmaceuticals? 1. ☐ Yes 2. ☐ No
(r)	What is the approximate percentage of prescriptions dispensed with third party reimbursement (including Medi-Cal)? _____%
(s)	Do you allow prescription sales on credit? 1. ☐ Yes 2. ☐ No
(t)	Please report the amount of your point of sale transaction fees during the fiscal year of the cost report. $_____

SECTION IB -- OTHER INFORMATION

Please list any additional information you feel contributes significantly to your cost of filling a prescription. Also, if you have a significant amount of non-retail sales of drugs at cost, please note the amount and if it is included in line (1), column (1) on page 3.

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Round all amounts to nearest dollar or whole number.

SECTION IIA -- SALES AND FLOOR SPACE

	Prescription Drugs Only	Total Store Including Prescription Drugs	Line No.
Sales (Excluding Sales Tax)			(1)
Cost of Goods Sold			(2)
Floor Space (Retail area only). Please measure. Do not estimate.	Sq. Ft	Sq. Ft.	(3)

SECTION IIB -- OVERHEAD EXPENSES

Complete this section by referring to the line numbers in the left columns that correspond to federal income tax return lines or use internal financial statements.

The following information is from tax / fiscal year ending..... ____/____/____ (4)

1999 and 2000 Tax Form Number 1040C	1065	1120	1120S			Total Expense	Agency Use Only	Line No.
13	16a	20	14a	Depreciation (this fiscal year only - not accumulated).....				(5)
23	14	17	12	Taxes	(a) Personal Property Taxes Paid.....			(6)
					(b) Real Estate Taxes.....			(7)
					(c) Payroll Taxes.....			(7a)
					(d) Sales Taxes.....			(7b)
					(e) State Income Tax (Corporations Only).....			(8)
					(f) Any other taxes (specify each type and amount)			(9)
20b	13	16	11	Rent	(a) Building Rent (See Instructions).....			(10)
20a	13	16	11		(b) Equipment and Other.....			(11)
21	11	14	9	Repairs.....				(12)
15	20	26	19	Insurance	(a) Workers Comp. and Employee Medical.....			(13)
15	20	26	19		(b) Other.....			(14)
16a&b	15	18	13	Interest.....				(15)
27	20	26	19	Legal and Professional Fees.....				(16)
27	20	26	19	Dues and Publications.....				(17)
9	12	15	10	Bad Debts (this fiscal year only - not accumulated).....				(18)
		19		Charitable Contributions (Corporations Only).....				(19)
25	20	26	19	Telephone.....				(20)
25	20	26	19	Heat, Water, Lights, Sewer, Trash and other Utilities.....				(21)
18&22	20	26	19	Operating and Office Supplies (Exclude Rx containers and labels)...				(22)
8	20	23	16	Advertising.....				(23)
27	20	26	19	Rx Computer Expenses (See Instructions).....				(24)
10	20	26	19	Rx Delivery Expenses (See Instructions).....				(25)
27	20	26	19	Rx Containers and Labels (See Instructions).....				(26)
Various	18+	24+	17+	Other Expenses (Not included elsewhere) _____				(27)
	19+	25+	18+	(Attach Schedule if necessary) _____				(28)
	20	26	19	(Specify each item and corresponding amount)_____				(29)
				Total Overhead Expenses [Add Line (5) through Line (29)]				(30)

Exhibit 1

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SECTION IIC -- PERSONNEL COSTS -- List each person separately (except Line 44). Attach schedule if necessary.

	Check if RPh	Estimate Percent of Rxs Dispensed by Each RPh	Annual Salaries and/or Drawings	AGENCY USE ONLY	No. Weeks Employed This Fiscal Year	Average Weekly Hours: Total Store Including Rx Dept.	Average Weekly Hours: Rx Dept. Related Duties Only	Line No.
Owners, Individual Proprietors, Partners, and Stockholders								(31)
								(32)
								(33)
Employee and Relief Pharmacists								(34)
								(35)
								(36)
								(37)
Interns								(38)
	Subtotal:	100%	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	(38a)
Rx Delivery	XXX	XXXXXXXXX						(39)
	XXX	XXXXXXXXX						(40)
Other Employees with Time in Rx Dept. (Including Rx Technicians)	XXX	XXXXXXXXX						(41)
	XXX	XXXXXXXXX						(42)
	XXX	XXXXXXXXX						(43)
All Non-Rx Employees	XXX	XXXXXXXXX			XXXXX	XXXXX	XXXXX	(44)
TOTALS	XXX	XXXXXXXXX			XXXXX	XXXXX	XXXXX	(45)

SECTION II D -- RECONCILIATION WITH TAX RETURN (OR BOOKS)

1999 and 2000 Tax Form Number					Column 1	Column 2	
1040C	1065	1120	1120S		Cost Report Amounts	Books or Tax Return Amounts	
28	21	27	20	Total Expenses per Tax Return / Books (Circle one used)			(46)
				Enter Amount from Line (30)			(47)
				Enter Amount from Line (45)			(48)
				Total Expenses per Cost Report [Add Lines (47) and (48)]			(49)
				Specify Items with Amounts that are on Cost Report but not on Tax Return (or Books)			(50)
							(51)
				Specify Items with Amounts that are on Tax Return (or Books) but not on this Cost Report			(52)
							(53)
				Total [Add Lines (46) to (53)] Column Totals Should be Equal			(54)

Exhibit 1

SECTION III -- MEDI-CAL PHARMACY PRESCRIPTION CHARGES SURVEY

Survey Date: 5/22/2000

Medi-Cal Provider No.:

New Prescriptions Only - Exclude Compounded Rxs

Please review the instructions prior to completing this form.

Line Number	Rx Number	Payer Code See Codes Below	Drug Name, Strength	NDC Number (Mfr / Drug / Pkg)	Quantity Filled Use Medi-Cal Units	Actual Selling Price (amount received)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						

Payer Codes: Cash - C; Medi-Cal (Fee for Service) - M; Medicaid Managed Care - MM; CHAMPUS - CH; Workers Compensation - W; Private Insurance - P; Other - O

Myers and Stauffer LC
Certified Public Accountants

Exhibit 1

SECTION III -- MEDI-CAL PHARMACY PRESCRIPTION CHARGES SURVEY

Survey Date: 5/22/2000

New Prescriptions Only - Exclude Compounded Rxs

Medi-Cal Provider No.:

Please review the instructions prior to completing this form.

Line Number	Rx Number	Payer Code See Codes Below	Drug Name, Strength	NDC Number (Mfr / Drug / Pkg)	Quantity Filled Use Medi-Cal Units	Actual Selling Price (amount received)
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42						
43						
44						
45						
46						
47						
48						
49						
50						

Payer Codes: Cash - C; Med-Cal (Fee for Service) - M; Medicaid Managed Care - MM; CHAMPUS - CH; Workers Compensation - W; Private Insurance - P; Other - O

Myers and Stauffer LC
Certified Public Accountants

Exhibit 2

Medi-Cal Pharmacy Cost Report
Instructions

Survey Forms by Myers and Stauffer LC
Certified Public Accountants
420 Nichols Road
Kansas City, Missouri 64112
800-374-6858

Under Contract with the California Department of Health Services

PURPOSE: The purpose of this survey is to determine the cost of dispensing prescriptions in the State of California.

WHO SHOULD FILE

Except for the following, all Medi-Cal pharmacies that are selected for the survey should file this cost report:

- ☐ New pharmacies that were in business less than six months during the reporting period
- ☐ Pharmacies with a change of ownership that resulted in less than six months in business during the reporting period

If your pharmacy meets one of the exceptions listed above, please check the box next to the explanation describing your business, write your pharmacy name and provider number, sign your name, and return only this page in the enclosed envelope.

Medi-Cal Provider No.	Provider Name	Phone No.	Signature of Owner

GENERAL INSTRUCTIONS

If any assistance is needed in completing this survey, please call toll-free (800) 374-6858. Please complete these forms using your most recent fiscal year ending on or before December 31, 2000 and **return them by November 30, 2001**. Most retail pharmacies can complete these survey forms by using their most recent federal income tax return. Most expense items requested can be transferred directly from a line on the tax return to a line on the cost report. Line reference numbers of four tax forms are listed on the left side of the cost report. Simply locate the column for your tax form.

If you prefer, send us a copy of your income tax return (Form 1065, 1120, 1120S, or Schedule C of Form 1040 including supporting schedules) or your financial statements and we will complete the overhead expenses, Section IIB, Page 3 and Section IID, Page 4, for you. **You will still need to fill in the remaining sections of the cost report.** If you send a copy of your tax return, please identify any expenses that are 100% Rx-Department expenses such as continuing education, and identify any expenses that are totally non-Rx Department expenses such as fountain expenses, etc. By sending any of these tax forms, you will not be providing us with any information other than that requested if you completed the survey yourself. We will destroy the tax forms after entering the information on the survey.

Please remember to round all amounts to the nearest dollar or whole number.

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Certified Public Accountants

Medi-Cal Pharmacy Cost Report - Instructions

Retail Chain Pharmacies
Expenses incurred by chain pharmacies such as administration, central operating, or other general expenses should be allocated to individual units. Warehousing expenses must be either separately identified or included in cost of goods sold. Methods of allocation must be reasonable and conform to generally accepted accounting principles. Please explain any allocation procedures used. Allocated costs should be clearly identified and entered on lines 27, 28 and/or 29.

SECTION IA --- PHARMACY ATTRIBUTES

The information gathered from your answers to these questions will be analyzed to determine its relationship to your cost of dispensing a prescription. You may have to provide estimates for some answers; please estimate as carefully and accurately as possible.

Line (a) **"Prescriptions Dispensed."** Please report the total number of all prescriptions filled **during the fiscal year** of the costs reported on pages 3 and 4 of this cost report. This information may be kept on a daily or monthly log or on your computer. If you keep no record of the number of prescriptions you fill, the amount may be estimated using the following method. (1) Often your Rx numbering system may be used to estimate new Rx's. Subtract the Rx number of the first prescription filled in your fiscal year from the Rx number of the last prescription filled. (2) Take a sample over several days showing the number of refill prescriptions and new prescriptions. Divide the number of refills by the number of new prescriptions in your sample. Multiply that amount times the number of new prescriptions determined in (1) above to estimate the number of refill prescriptions for your fiscal year.

SECTION IIA --- SALES AND FLOOR SPACE

Line (1) **Please list total store sales excluding sales tax.** Total store sales and cost of goods sold are shown on the federal income tax return. If there is no separate record of prescription drug sales, estimate it as accurately as possible. Sales of prescription drug items should not include nonprescription OTC's, durable medical equipment, or other nonprescription items. One method to estimate sales of prescription drug items is to use your sales tax return. If Rx cost of goods sold is not readily available, leave that line blank.

Line (3) Since **floor space** will be used in allocating expenses, accuracy is important. When measuring the total store, include only the retail area and exclude any storage area, i.e., basement, attic, off-the-premises areas, or freight in-out areas. When measuring the Prescription Department, exclude patient waiting area and prescription-related office. These should be included in total store area. A factor is added to the Prescription Department area to account for both waiting and office space.

SECTION IIB --- OVERHEAD EXPENSES
[TAX RETURN MAY BE SUBSTITUTED.]

Overhead costs reported on the cost report must be resulting from arms-length transactions between nonrelated parties. Related parties include, but are not limited to, those related by family, by business or financial association, and by common ownership or control. **The most common non-arms-length transaction involves rental of property between related parties. The only allowable expense of such transactions for cost determination purposes would be the actual costs of ownership (depreciation, taxes, interest, etc., for the store area only). The rental amount will be disallowed. Please show this as a reconciling item in Section IID.**

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Certified Public Accountants

Medi-Cal Pharmacy Cost Report - Instructions

Line (6) & (7) Include only personal property taxes or real estate taxes paid on property used in this pharmacy's business.

Line (7a) Include the employer's share of FICA and Medicare taxes, and state and federal unemployment taxes.

Line (10) Include only rent that applies to the store. **Report only rental expense incurred by transactions between nonrelated parties. See the first paragraph of this section for expenses allowed in lieu of rent paid to a related party.**

Line (22) Include office and operating supplies. If prescription containers and labels are included in your supplies, please exclude them from this line and show them on line (26).

Line (24) **Rx Computer Expenses.** Include expenses for a computer that is used only in the Rx Department. These expenses should not be duplicated on any other line. If your computer is used by other departments of the pharmacy, do not enter anything on this line and enter computer expenses on line (29).

Line (25) **Rx Delivery Expenses.** If you deliver Rx items only, include expenses paid for your delivery vehicle here, including expenses paid to a delivery service for delivery of Rx items. These expenses should not be duplicated on any other line. If your delivery vehicle is used by other departments of the pharmacy or for miscellaneous purposes, do not enter anything on this line and enter delivery expenses on line (29).

Line (26) **Rx Containers and Labels.** The cost of prescription containers and labels should be included here if separately identified as "other deductions" on your federal income tax return. If this expense is included in cost of goods sold on your federal income tax return and if your accounting records are such that this figure is difficult to determine, leave this line blank. An allowance will be made for Rx containers and labels based on your prescription volume.

Lines (27)-(29) On these lines identify any non-labor expenses not already included on your cost report but listed as other deductions on your federal income tax return. **Identify each item and the amount, rather than labeling all such expenses as "miscellaneous." If you wish, you may simply attach the schedule from your federal return which lists these expenses.** Please clearly label any items that are 100% Rx-related, such as pharmacist continuing education, or that are 100% non-Rx-related, such as fountain operation expenses.

SECTION IIC --- PERSONNEL COSTS [LINES (31)-(45)]

Lines (31)-(38) **"Percent of Prescriptions Dispensed."** Please provide your best estimate of the percentage of prescriptions dispensed by each pharmacist. Notice: This column must total line 38a (100%).

Lines (31)-(43) **"Average Weekly Hours."** You may not have detailed records of where each employee worked; however, please provide your best estimate of an average or "typical" week. Column 6 should show average number of hours the employee worked per week. Column 7 should show the average number of hours per week spent performing Rx-related duties. Rx-related duties are defined as time spent filling prescriptions as well as doing the related administrative work, including ordering and stocking prescription ingredients, taking inventory, maintaining prescription files and delivering prescriptions. Pharmacists providing consultation to long-term care facilities should be identified and

listed separately. Any revenue received for those consultation services should be noted in Section IB, page 2.

Lines (31)-(33) **"Owners."** For purposes of this study, an employee who is a stockholder in the pharmacy is considered an "Owner." All individual proprietors, partners, or stockholders should list their total drawings and/or salaries for the year. Do not show net profit as the owner's salary but **only actual drawings or salary**. For those owners who took no salary or drawings, show zero to indicate you have not overlooked this line. A salary will be allocated based on time and/or prescriptions dispensed.

Lines (39)-(43) Rx Technicians, nonprofessional, clerical, and delivery personnel who perform Rx-related duties should be listed.

Line (44) **"All Non-Rx Employees."** List total salaries for all employees who spend no time in Rx-related duties.

SECTION IID --- RECONCILIATION WITH BOOKS OR FEDERAL INCOME TAX RETURN

The purpose of this reconciliation is to ensure that all expenses have been included and that none have been duplicated. For example, pharmacies operating as sole proprietors will normally need to list owner's salaries, drawings, and benefits as a reconciling item. Other examples of reconciling items are the 50% meals deduction, rent paid to related party, etc.

SECTION III --- PHARMACY PRESCRIPTION CHARGES SURVEY

List the appropriate information for the first 50 NEW prescriptions dispensed on the day shown in the box in the upper left corner of the survey form. If 50 new prescriptions were not dispensed on that day, list the first new prescriptions dispensed on the following day(s) until 50 are listed. DO NOT list compounded or OTC prescriptions. Skip these and proceed to the next prescription. All other new prescriptions must be listed - including loss leaders, third party paid prescriptions, special rates, sale prices, and controlled substances. Actual selling price shown should be the amount received for the prescription. The selling price for third party prescriptions should be shown as the amount received from the third party plus any co-pay collected from the patient. Complete the Payer Code column using the following codes:

Payer Type	Code
Cash	C
Medi-Cal (Fee for Service)	M
Medicaid Managed Care	MM
CHAMPUS	CH
Workers Compensation	W
Private Insurance (e.g. BC/BS, through PBM etc.)	P
Other	O

If preferred, you may send a computer generated drug listing. Please ensure all required data is included on the computer generated listing and identify any special codes used on the listing, i.e., M for Medi-Cal.

NOTE: For quantity filled, report the unit of issue used when requesting Medi-Cal prescription reimbursement.